

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
St. Louis 2, Missouri

April 30, 1945

Prepared by the Information Division for the exclusive use of the REA staff

HOW DO WE STAND?

Wyoming.... REA-financed cooperatives in Wyoming are apprehensive about their plans for future expansion. A year or two ago the State Supreme Court ruled that cooperatives are public utilities and hence subject to state control. Every REA-financed cooperative in the state was required, under this decision, to go before the State Public Service Commission and obtain a certificate of convenience and necessity for continued operations of cooperative lines which had already been built.

The Mountain State Power Company immediately intervened in hearings on these cooperative applications. The company asked that cooperatives be forbidden the right to build lines in the future in any area served by the power company's lines. The Commission handed down a ruling which prohibits future construction of cooperative lines "in the vicinity of" towns already served by the power company.

While the Wyoming State Public Service Commission has not exhibited hostility toward the cooperatives, as have similar bodies in Arkansas and one or two other states, cooperative officials are fearful that the vagueness of the Commission's past orders have left an opening for future decisions which may effectively shut the cooperatives out of the more populous sections which they will need in order to extend electricity to the less densely populated rural areas on a payout basis.

California.... Fresno County farmers who organized the Foothill Electric Association in 1941 to serve 729 rural consumers in the Sierra Foothill area, dropped their three-year fight with the Pacific Gas & Electric Company over rights to serve this territory; voted in a special poll last December to accept a PG&E offer that would bring electricity to 644 consumers in this territory at rates comparable with those charged in other sections of the state.

Prior to the special election one group, which had urged co-op members to vote down the PG&E proposal and continue with original plans to build their own power lines, recalled that the private utility had consistently refused to bring electricity to this territory until after the Foothill Association had been formed. Before the co-op was organized PG&E required rural consumers of this area to pay up to \$1,300 per mile of new lines in order to get service and had fixed power rates one-third higher than the company's rate in other sections of the state.

Another group of northern California farmers have voted to fight it out with PG&E for rights to build their own power lines. Members of the

STAFF BUSY WITH PACE ACT NOTES

Some of the staff are carrying a tremendous load of work caused by the passage of the Pace Act last September.

The Act permits extension of the life of all REA loans from 25 to 35 years and reduces the interest rate to 2 percent. Between 3,000 and 4,000 new refunding notes are being prepared.

HOUSE APPROVES \$60,000,000 LOAN FUNDS FOR 1946

REA will have \$60,000,000 to use as loan funds next fiscal year if the Senate concurs in the Agriculture Appropriations Bill recently passed by the House. The Senate Committee held hearings April 9.

The Bureau of the Budget had recommended \$150,000,000, the amount contemplated for 1946 in the Lucas Bill (although that Bill would let us commit additional funds for succeeding years).

Silver lining department: The House Appropriations Committee strongly suggested that it would approve a supplementary appropriation if the \$60,000,000 proves inadequate.

REA BORROWERS ADD 10,000 NEW CONSUMERS EVERY 30 DAYS

REA-financed systems are adding new consumers at the approximate rate of 10,000 a month. That 10,000 figure holds two interesting comparisons:


(1) It's about equal to the average connection rate during REA's ten year life. (2) It's about one-half the number of connections that co-ops were making at REA's construction peak.

Here's a sidelight: the power companies bang the drums continually because they still serve substantially more farms than the co-ops do. Yet a great majority of the farm connections under WPB authorizations have been made by REA cooperatives.

The companies are adding a few new customers, but too often these farms are "cream" customers or in strategic locations to block the postwar expansion of the cooperatives. Coincidence?

California (cont.)

Redwood Electric Cooperative of Garbersville had entered into contract with the Charles L. East Power Co. to purchase its facilities that were to have served as a nucleus for a co-op distribution network in farm communities after the war. But before the transaction could be completed, PG&E representatives convinced East Company officials that legal technicalities had invalidated the contract, and made application to the California Railroad Commission for permission to purchase the properties over the vigorous protests of co-op members. The case is still before the Commission for decision.

 Colorado... The Holy Cross Electric Association of Eagle, like most other REA-financed cooperatives, has a postwar plan. The cooperative needs the more populous communities in order to complete its program on an area coverage payout basis.

Just recently the Public Service Company of Colorado applied to the Public Service Commission for a permit to serve the heart of the Holy Cross Electric Association's proposed area of service in Eagle County. The State Farmers' Union and other farm organizations came into this contest with flags flying. The formidable opposition to the power company's apparent attempt to grab off choice spots in an area of potential cooperative expansion caused the company to make a strategic retreat. Its application before the Public Service Commission was withdrawn. The cooperatives fear, however, that the company is merely reforming its lines for another offense.

A ruling by the Colorado Public Service Commission in another case holds implications which warn the cooperatives against over-confidence. Some time ago the City of Lamar filed for a certificate of convenience and necessity covering the entire rural area of Prowers County in which The Southeast Colorado Power Association is already operating lines, which would serve as the nucleus of an expanded rural distribution network in that area after the war.

The Public Service Commission gave the City of Lamar what it asked for. It arbitrarily handed over to the City territory which had been developed by the cooperative.

Cooperative officials believe the City of Lamar resorted to this franchise device merely as a means of tying up the cooperative as a wholesale purchaser of power produced at the municipal plant. The territorial permit which the City was granted by the Public Service Commission, might possibly be used to club the cooperative back into line if it should ever attempt to cancel its wholesale power contract with the City. The cooperative in the last fiscal year paid the City of Lamar an average of 9.7 mills per kwh for its power. That rate, while higher than the rate paid the City of LaJunta by the co-op, is not so bad as it compares with the rates cooperatives pay for municipal power in other states.

Nevertheless, the fact that the Public Service Commission was willing to give the City of Lamar a hold on cooperative territory, even for trading purposes, causes uneasiness among other Colorado cooperatives.

AREA COVERAGE IS GOOD BUSINESS

Evangelists for area coverage - as who in REA isn't? - are getting a great deal of encouragement from specific area coverage surveys being completed. A thousand mile Kentucky cooperative, which averages $3\frac{1}{2}$ to the mile on the lines it has built and which recently acquired some existing properties to permit postwar service in unserved areas, turned an area map over to an engineer, instructing him to spot power lines to serve every occupied place still without service. There are about 3700 potential consumers; 870 miles will reach every one of them. That averages better than 4 to the mile. The catch is that many of the unserved places will be minimum-bill users for some time. The president of the cooperative said that makes no difference. "If he lives there," he said, "he can have service."

REA PEOPLE IN UNIFORM

There are now 284 REA employees on military furlough of which eleven are women. Of this number, to date, there are seven gold stars: Robert Young, E. George Reiser, Carl Simon, Thomas A. Maguire, Harmon A. Carpenter, Billy H. Dove and Leslie J. Gruner.

Nine employees formerly on military furlough have been honorably discharged from the armed forces and returned to duty with REA, two of these employees having since resigned.

In addition REA employees returning from military furlough, REA has newly appointed twelve veterans of World War II to its staff and twenty-four veterans of World War I.

These figures do not include the Rural Electrification Division of the Office of the Solicitor. That Division has 30 men and 2 women on military furlough, in addition to one who has just returned.

THE LUCAS BILL

The Lucas Bill is stirring on Capitol Hill. A subcommittee of the Senate Committee on Agriculture and Forestry held hearings on the proposal on April 2. Secretary Wickard and Acting Administrator Neal testified.

MASSACHUSETTS STILL OUTSIDE THE FOLD

The Massachusetts General Court (legislative) has rejected a bill, sponsored by the Governor, to permit operation of REA-financed cooperatives in the State. The roll call vote was 126 to 86 in the lower house, 24 to 12 in the Senate. The bill has been the subject of committee hearings and was debated on the floor. At least one local group would have been ready for an REA loan.

MAINE.... It has been virtually impossible for Maine cooperatives to obtain permits from the State Public Utility Commission, as required by state law, for construction of rural power lines. Two cooperatives which had received REA loan allotments were forced to disband because of the delay and expense of proceedings before the PUC. One of these groups, which applied to PUC in 1940 for a permit to build 93 miles of line to serve 262 farmer-members in Franklin county, finally, in 1941, was given a permit to build two and three-quarters miles to provide service to 9 farms. Naturally the co-op folded up and many of the farmers were left without electric service.

The Public Utility Commission has not visibly changed its attitude, in spite of the fact that 30 percent of the farms in the state do not yet have central station electric service. More than 40,000 rural dwellings, including those on farms, are not yet electrified in Maine. Only four REA co-ops are operating in that state.

KANSAS....The Kansas Power & Light Co. apparently started out to accomplish piecemeal what the utilities of Arkansas and Oklahoma have made progress toward accomplishing on a statewide basis through the rulings of state regulatory bodies.

The Central Kansas Electric Cooperative Assn., of Great Bend, Kansas, buys power at wholesale from the Kansas Power & Light Company. An Army camp obtains electric service from the cooperative. The camp could not have been located in that area except for the availability of power supplied by the cooperative.

After the Army camp was connected to the lines of the cooperative, the Kansas Power & Light arbitrarily raised the rate on that part of the power purchased by the cooperative for resale to the Government. Month after month it billed the cooperative for this power at a rate approximately twice as high as the contract rate on power previously purchased by the cooperative from the Company.

The Cooperative, for several months, refused to pay the Company the rate demanded on the Army camp power. Finally, however, the cooperative agreed to sign a new contract if the Kansas Power & Light Co. would sell it power for the Army at the contract rate.

The joker in the new contract is this: The cooperative, in order to escape the unconscionable penalty which the Company attempted to impose upon it for having provided wartime service to a United States Army camp, had to agree that henceforth it will not supply power to any consumer requiring more than 60 kva of transformer capacity.

Kansas cooperative leaders are pretty bitter about the dog-in-the-manger attitude of the Company. There could be no 60 kva users in the areas served by the cooperatives, if there were no cooperative lines to supply power. The cooperatives need 60 kva consumers in order to be able to carry REA loans which would enable them to build lines into thinly populated farming communities.

Kansas cooperatives are under the jurisdiction of the State Corporation Commission. They wonder what will happen if the power company should attempt to impose statewide restrictions on cooperative services such as Kansas Power & Light has imposed upon the Central Kansas Cooperative Association.

KENTUCKY LEGISLATION

The Kentucky cooperatives have made public their intention of seeking exemption from Commission jurisdiction. They were made specifically subject to such jurisdiction by the Electric Cooperative Act passed in 1937. The cooperatives propose to ask each candidate for election to either house of the State Legislature, in the August primaries and in the November general election, to state his position on their legislative proposals. When the Legislature meets in 1946, the cooperatives will have specific bills ready for introduction.

So far, the cooperatives seem to be attracting a considerable amount of support. Several influential newspapers have endorsed their campaign, and only one has carried any adverse comment.

COMMISSION JURISDICTION PROPOSED IN COLORADO

The committee of the Colorado Legislature to which an omnibus public utilities bill had been referred has added an amendment which would subject the cooperatives to Commission jurisdiction. The co-ops, which had been conducting a wide campaign to get support for their tax proposals, are considering what steps they can take to defeat the amendment.

Power companies in Colorado have long sought to place the cooperatives under Commission jurisdiction, and legislation to accomplish this was expected in this session of the legislature. The deadline for the introduction of new bills passed, however, without the appearance of independent proposals of this sort.

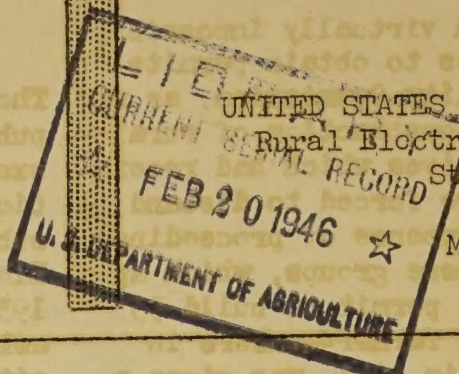
COPPER

Because of revisions in the 1945 Army ammunition schedule, supplies of copper for civilian purposes will be very short. Before this revision it appeared likely that there would be a surplus of 87,000 tons of copper this year. Now a deficit of 4,000 tons is in sight. Moreover, labor for copper production and processing is scarce, and it appears likely that Lend-Lease especially for liberated countries, will require substantial quantities of copper not previously scheduled. These factors may cause an even larger deficit.

IT WAS TWO OTHER FELLOWS

The "possible brownout violation" which local newspapers credited to "REA offices in St. Louis" was a case of mistaken identity. The record has been cleared.

FYI



UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
St. Louis 2, Missouri

March 23, 1945

Prepared by the Information Division for the exclusive use of the REA staff

MORE ABOUT UTILITY OPPOSITION

Power companies continue to oppose the REA program in specific localities and with specific acts. Some of this opposition has been outlined in preceding issues of FYI. The following are additional case histories. They should not be considered to be isolated; they are typical, symptomatic.

New York Cooperative rural electrification in New York State got a late start and for some time it appeared likely that it might be halted not far from the starting point by private utility counteraction. State laws were extremely unfavorable to co-op operations in the state until 1942, when a new co-op law was enacted during the administration of Governor Herbert Lehman. Six cooperatives set up under the new law obtained REA loans for proposed line construction, but were forced by wartime restrictions to delay construction for more than a year longer.

The areas to be served by the co-ops are a vital part of the New York milkshed. Taking into consideration the production capacity and labor needs of the farms to be served, the War Production Board in late summer 1943 authorized the co-ops to build part of their proposed distribution systems in order that the farmers might have the benefits of electrical help. The power companies had the same opportunity to obtain permits from WPB for construction of farm lines in New York State, but they were not interested until the co-ops were authorized to proceed with construction. Immediately the companies started raids on co-op territory.

One of the six REA co-ops in New York has already been destroyed by joint actions of three private utilities. Lockhart, Niagara, Ontario Power Co., Rochester Gas & Electric Company and New York State Gas & Electric Corporation joined forces for a raid on the territory of the Genesee Valley Electric Cooperative of Belmont. These three companies jointly applied for and obtained WPB authorization for construction of lines to serve 300 of the cooperative's 700 members.

These 700 farm families had never had an opportunity to get electric service until they joined the co-op under legally favorable conditions. With the co-ops assured of equal treatment under the law of 1942, the power companies resorted to cream-skimming. They have killed the Genesee Valley Electric Cooperative by taking away 300 of its members, without whom the cooperative could not succeed.

With co-op competition removed, the private utilities may not be in much of a hurry to serve the other 400 members. This group may feel that their chances ever to get electric service are extremely slim.

RURAL ELECTRIFICATION INTEREST IS INTERNATIONAL

Although the United States had lagged behind many foreign countries in percentage of farms with electric service, nevertheless the REA program has aroused great interest in those countries which we have passed in the last ten years of progress and in a few which are still ahead of us.

"Power and the Land," REA's movie, is being shown in Ireland. We have just received reports of rural electrification surveys in British Columbia, Iceland, Eire, and Australia. Last fall we had a visitor from India. Mr. Stanislaw Moszczynski, of Poland, was back in St. Louis for a few days at the year end. We have recently received correspondence from New Zealand, Sweden, and England. Last week we had a letter from a Mexican (who wanted us to tell him where he could get some good poultry.)

TWO POSTWAR POLICIES

Two postwar plans have just received local publicity. The Utah Power & Light Company announced a plan of extending service to rural dwellers where the estimated cost does not exceed \$150 per customer. Rural extensions costing more will be made at the company's expense when the guaranteed minimum total bills for service during the first five years equal or exceed the cost of the extension or the customer advances the difference between the guaranteed minimum bills and the cost of the extension.

The other plan was announced by the Tri-County Electric Cooperative of Leesburg, Virginia. It announced an area service plan of building lines to anyone who will agree to pay a \$3.00 minimum monthly bill.

The power company plan was described in the Utah Farmer under the heading "Farmers Benefit by Policy Change of Utah Power & Light Company." The co-op plan was announced in the Washington Post under the heading "Electric Lines Offered Under New \$3 Plan."

SPITE LINES

Spite lines have appeared already in several States--Florida, for example, where the power company killed a cooperative by signing up several leaders, including the vice president and another officer. A new wrinkle appeared in this case; the power company was able to convince these two leaders that they were liable for a damage suit if they did not take service from the company lines.

Many other States could be listed, but the list would be incomplete before the staff read it. By the end of this week we expect spite lines all over the map. We probably won't win all the skirmishes, but we are going to win the campaign. It will require hard work and devotion to our program.

TELEPHONE SERVICE

There is no change in the rural telephone situation. We are still very much interested in the subject, but our interest is that of an observer.

Our lawyers have completed a study of the legal position of our borrowers in regard to engaging in the telephone business. They found that in 18 States the laws under which the co-ops now operate would clearly permit their providing telephone service, and in 24 States such service could be provided if it is incidental to providing electric service. In a few states there appears to be a definite prohibition.

STATE LEGISLATIVE FIGHT IN PENNSYLVANIA

In Pennsylvania the cooperatives are combating an effort to put them under Commission jurisdiction, an effort which some newspapers credit to the power trust. The Senate has already approved the proposal but the House refused to be rushed into hasty approval. It adjourned without acting on the bill.

MORE SPITE LINES

"Don't organize a co-op; we'll build lines to your farms," Virginia Electric Power Co. representatives soothingly say to tobacco and peanut farmers in North Carolina's Roanoke Valley, embracing five counties in the northeast corner of the state.

VEP has promised often, delivered hardly at all in the Valley. Now, frightened by plans of the Albermarle Electric Membership Corporation at Hertford, N.C., to build 450 miles of line postwar to about 1,300 signed members the company is putting the heat on the Corporation's directors to pull out and abandon the co-op scheme. Some of the directors are wavering.

Back of the fight appears to be, in addition to the farmers' determination to get power for themselves, the postwar Federal plans for power and flood control river projects, approved in the current Rivers and Harbors appropriations bill.

Roanoke Valley territory is rich -- about five rural establishments to the mile. But until now VEP never so far saw fit to serve the farm people. And, dog in the manger, they apparently don't want the farm people to serve themselves.

LOST BY ONE VOTE

Defeated in the Colorado Senate by one vote (17-16) was a bill under which gross annual revenue of REA-financed co-ops would have been used as a basis for tax evaluation. The House had already passed it, 45 to 16.

...gave up and organized the co-op. For 15 years he tried to get power to his farm, and for 15 years the company refused to serve him.

Not much in this record for the power companies to brag about. Yet the ad stated: "It will take a lot of electric power to serve tomorrow's farms. And the business-managed electric companies -- well aware of their opportunity and obligation -- will make sure that this power is available."

MORE SPITE LINES

In a recent issue of its newsletter, the Carroll Electric Cooperative of Carrollton, Ohio, reported on how the Ohio Power Company reacted to the green light which WPB gave rural power line construction.

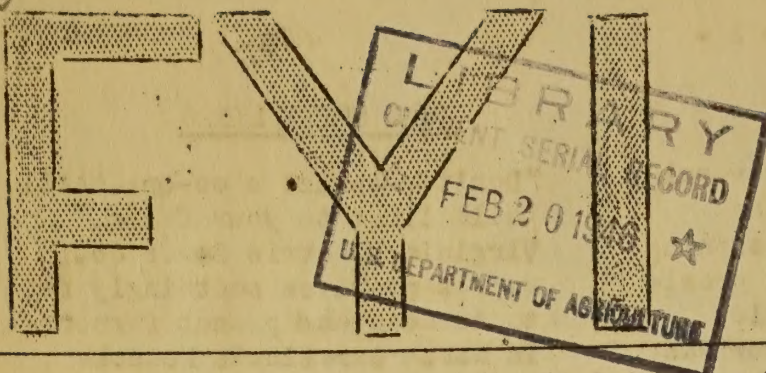
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The House Appropriations Committee has recommended a cut from \$160,000,000, which the President recommended, to \$50,000,000 in the supplemental authorizations for REA loans for 1946, at the same time reducing the recommended additional administrative funds from about \$1,150,000 to about \$700,000.

This supplemental authorization was sought because of prospective delay in enactment of the Lucas Bill. The \$80,000,000 loan authorization already approved for 1946 and its

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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
St. Louis 2, Mo.

May 14, 1945

Prepared by the Information Division for the exclusive use of the REA staff

GREEN LIGHT!

The War Production Board has given REA the green light. Construction is starting immediately.

That news, for which we have been waiting a long time came to us on Saturday. And Saturday morning we started the wheels turning.

Some restrictions remain. The WPB order removes all controls from power-line extensions requiring less than \$25,000 worth of materials. Under this order, most stop-orders can be--and are being--removed. Most of the distribution line construction for which allotments have been made can go ahead. Transmission lines and generating plants, by and large, must still be handled on a priority basis; each such project will be handled as in the past.

Other agencies interested in rural power line construction have the green light, too. Some have already undertaken activities which may well prove detrimental to the expansion program of the REA cooperatives. How well they succeed in their plans to provide area coverage may well depend upon the rate of progress in getting construction under way. Acting Administrator Neal forcefully reminded the staff that some fast work will be needed in St. Louis headquarters in order to make it possible for the borrowers to keep the ball rolling.

If prospective consumers of REA cooperatives could but recall the dark years when nobody was interested in building power lines to their homes, they would not only wait for REA service, but would pitch in to help their co-ops get the job done before cream-skimming could wreck their chances. Many rural people may need this gentle reminder in the next few weeks.

\$80 MILLION FOR 1946

President Truman has approved the Department of Agriculture Appropriation Bill for 1946, including \$80 million for REA loans. Funds for administrative expenses are increased somewhat from those available for the current year.

We are already making allotments against the \$80 million approved for next year, and hope to have more than half of it earmarked before July 1, when we may start to advance funds against the allotments we are now making.

LUCAS BILL

As reported to the Senate, the Lucas Bill provides an additional \$70 million in loans for the 1946 fiscal year, which added to the \$80 million in the regular appropriation would make \$150 million available for REA loans.

BIRTHDAY GREETINGS

Many leaders in many official and non-official positions have expressed heart-warming sentiments in connection with our tenth birthday. The messages are being included in the souvenir program for the dinner and will be published in RE News.

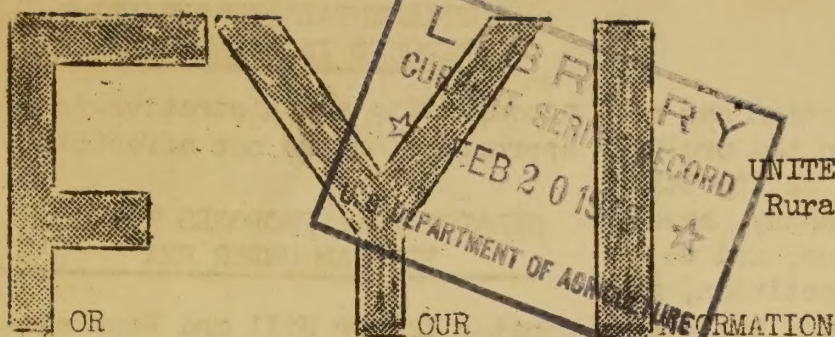
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Rural Electrification Administration
St. Louis 2, Missouri

June 29, 1945

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EEI STUBS ITS TOE

NEW ADMINISTRATOR JULY 2

Several faces in New York are very red as a result of the advertisement by 167 "Enterprising Business-Managed Electric Companies" in the June issue of Southern Agriculturist.

The title of the ad is "Cattle King from Cotton Country." It deals with a 16-year-old boy named William Morgan, Jr., who raised a Hereford steer named Big Boy on his father's Mississippi cattle ranch, took the steer to the Chicago Fat Stock Show and won a red ribbon with it.

The ad goes on to cite the many ways in which electricity on the Morgan place contributed to Big Boy's raising -- lights, feed grinder, two water pumps, even electric clippers. Then it points out that business-managed, tax-paying power companies have always had the interest of the farmer at heart and nobly offer them electricity as a patriotic service -- or words to that effect.

The whole thing was a little too much for Louis Spencer, manager of the Delta Electric Power Assn. of Greenwood. He wrote a letter to the manager of the magazine in which the ad appeared, pointing out some facts which the ad-writer forgot to mention.

William Morgan, Sr., is not only a member of the Delta Electric Power Assn., but is President of the Board of Directors. The lights and the pumps and the clippers that helped raise a prize-winning steer in the heart of the cotton country operated from a good American business-managed private-enterprise power system, all right, but it is owned and controlled by local people who use it rather than holding companies which milk it.

The Morgan farm was not electrified by the power company. Quite the contrary. It got power in spite of the power company. The elder Morgan started trying to get power before the boy was born and he kept trying until he finally gave up and organized the co-op. For 15 years he tried to get power to his farm, and for 15 years the company refused to serve him.

Not much in this record for the power companies to brag about. Yet the ad stated: "It will take a lot of electric power to serve tomorrow's farms. And the business-managed electric companies -- well aware of their opportunity and obligation -- will make sure that this power is available."

MORE SPITE LINES

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(over)

Claude R. Wickard will take the oath of office as Rural Electrification Administrator in his office in St. Louis on Monday, July 2. His nomination was approved by the Senate on June 22 by a vote of 56 to 6.

As one of his first public acts as Secretary of Agriculture, in September, 1940, Mr. Wickard dedicated the Fruit Belt Electric Cooperative generating plant at Cassopolis, Mich. At that time he told the audience about the difficulties he encountered trying to get the local power company to serve his Carroll County, Ind., farm home; he was unable to get service until the REA-financed Carroll County REMC provided it.

HEARINGS START ON POAGE BILL

The House Committee on Interstate and Foreign Commerce has opened hearings on the Poage Bill, a companion to the Lucas Bill which the Senate passed with a rider to separate REA from the Department. Speaker Rayburn has stated that he believes the House will not agree to this amendment.

REA representatives have already appeared before the subcommittee in charge of the Poage Bill, and several other individuals and groups have asked to be heard. Representatives of the utilities are scheduled to appear during the second week of July.

SUPPLEMENTAL APPROPRIATION
REDUCED IN HOUSE

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"The releasing of line construction has resulted in disastrous effects on the progress of REA throughout the country as the Utilities, especially the Ohio Power Company, have adopted a program of keen competition; and we might add in some cases "dirty" competition, in that they are offering to serve anyone anywhere that will sign with them and pay the minimum they require. This minimum in many cases has been reduced from \$7.00 and \$8.00 per month before the war to \$2.00 since the above release, and the people are falling for it in every direction.

"The Ohio Power Company tells us that they merely distributed their literature and told the people that they could serve them, but the people say, in many cases, that they have contacted them several times. Most people say that if they sign with the Ohio Power Company it will be built immediately--another far-fetched idea. We have received word from a few sections of our "D" project that the people have changed their minds and have signed with the Power Company and are going to get current at once and almost be paid for taking it.

"This strike at REA is not to be sneezed at, and while your project is in fine financial condition, our density per mile is only 2.8 and many of the homes going to the Ohio Power are within short distances of our lines and would have helped build up density. Many of you can be of help to us as well as to yourselves by discouraging your neighbors in this act and showing them that by doing this they are working directly against you, for the loss of consumers near the line means a loss of the chance to hasten the day when we may expect cheaper electricity. We ask that you do what you can to protect the business of which you are a part, and talk to your neighbors about it. Try to impress on them the fact that before REA entered the field many of them could not get current at any price, and those who could were asked outrageous prices for it. The story the utilities give for this change of heart is that they have been instructed to contact the people and tell them they can serve them. They are not fooling us any, as the real answer is that they had expected to let us build the lines and they would take us over in a year or two, because they said we could not build lines through the scattered countryside and make it pay at a \$2.50 minimum. To their sorrow they have found they were wrong; and now they are offering to build lines at a reasonable minimum into the same kind of territory, although construction costs have increased.

"Are you willing to help us, or are you going to sit idly by and see what happens? WE ARE COUNTING ON YOUR SUPPORT."

accompanying administrative-fund appropriation are not affected.

SENATOR HILL PROPOSES TELEPHONE
PROGRAM UNDER REA

Senator Lister Hill and Representative Patrick of Alabama have introduced bills which would extend REA lending authority to include a loan program to improve and expand rural telephone service.

Representative Poage of Texas introduced a bill to the same effect in the House some months ago.

Senator Hill and Representative Patrick had sponsored bills which would have established a separate Rural Telephone Administration. The loan program in the new proposal is identical with that of the earlier bill in some respects and very similar in most others.

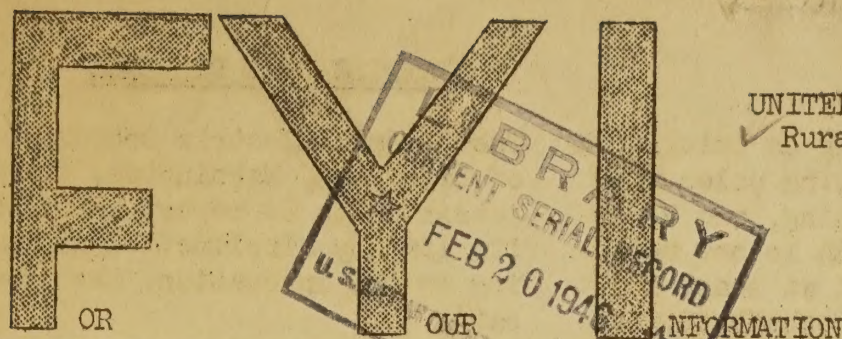
BOTTLED GAS

For energy, coverage and misstatement of fact, the campaign of the bottled gas interests to displace electric cookery in the rural areas comes very close to the spite-line campaign of the power companies.

Such statements as "50% cheaper than electric" are made in printed folders mailed to prospects. In at least one case some time ago, a bottled gas distributor admitted that he obtained his leads from the lists of signers with the electric cooperative.

The Jewel-Mitchell Co-op at Ionia, Kansas said in its newsletter: "A report was picked up here yesterday that the cost of electric power for a range runs as high as \$15 or \$20 a month. Somebody must have an ax to grind; these stories don't originate among our range users. Here are some typical monthly bills, paid by members using ranges or water heaters."

Then the co-op listed nine specific cases and gave the amount paid for all power used, for each of two or three months.

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Prepared by the Information Division for the exclusive use of the REA staff

A FLYING START

Here's how we stand as large-scale construction starts:

Congress has authorized \$200 million in loans for the current fiscal year. All these funds will come from the RFC. The authorization was in two parts; \$80 million in the regular Department of Agriculture Appropriation Bill approved the middle of May, and a supplemental \$120 million approved June 30.

This total is \$60 million greater than the highest ever before available for REA loans in one year which was \$140 million for fiscal 1939.

In addition, we have a backlog of almost \$100 million of loans approved in earlier years but not yet used. Last September we began urging our borrowers to work off this backlog in order to be ready for new expansion, and as our D&C people know well, they have made pretty good progress.

Our administrative funds are also larger than they have been in the recent past. We will be able to expand the staff to about 1200 workers; we now have about 830, an increase of more than 100 since January and about 175 more than a year ago.

During the war years, when we tended to discourage applications for loans for large extensions into new territory, we maintained a bank of pending applications amounting to \$100 million, more or less. Beginning about the first of this calendar year, the volume of applications began to creep ahead of our allotments, reaching about \$140 million by the end of April. Then, with V-E Day and the almost immediate lifting of restrictions, applications flooded in at the rate of two million dollars a day. We now have about \$225 million on the books, in spite of the fact that we have been allotting at the rate of a million dollars a day since May 14.

For the first time, we made allotments against loan funds before the start of the fiscal year for which they were approved. (In most years we have not had enough advance notice to permit this.) When the first \$80 million of loan funds was authorized, A&L started working up allotments to become effective with the new fiscal year. At the close of business on June 30, we had allotted just a little more than half of the \$80 million which had by then been made available to us for the entire 1946 fiscal year. The lawyers have much of the total already under loan contract.

The borrowers have been having much the same sort of a time as we. They have been swamped with applications for service, and working as hard as they could to line up workers, materials, contractors and engineers to get construction started. One cooperative had 500 signed applications for membership as a result of a single "canned" story printed in one newspaper.

(over)

RURAL TELEPHONE SERVICE IN THE NEWS

The established large telephone companies are conducting an active and effective propaganda program promising major additions to rural telephone service after the war.

The Woonsocket (R.I.) Call, for example, reports a survey by the local company of 3200 present rural consumers, asking for information which, in the language of a company spokesman "will assist us in providing telephone service to people like yourselves who live in rural areas."

Congress has taken no action on a bill which would authorize REA loans in the rural telephone field.

MORE SPITE LINE TROUBLE

Like June in the song, spito lines are busting out all over. In another column is a description of what is going on in Minnesota. Here is what the Flathead Electric Cooperative of Kalispell, Montana, reported in its newsletter:

"The War Production Board restrictions have been lifted on electric line construction, giving the green light to go ahead.

"Immediately, the local power company went out and staked everything in sight, and mainly to block off your Cooperative from expanding. The power company has practiced building out to a road at say, a store or road junction, then a short service line each way along the road. This has the effect of a block against any other line; it sews a lot of farmers up in a neat little pocket and prevents your Co-op from expanding and serving all of the rural people. At other places, the power company has signed up farmers and then failed to connect them; these farmers are still in the dark after 10 to 20 years. This practice was put in force west of our Stillwater District line and Smith Valley area to prevent your Co-op from building to Kila and Marion, which would be a paying addition, and enable the Co-op to operate more economically."

Construction of lines is going to bring with it a problem as acute as getting poles and wire into the air -- wiring, plumbing, and electrical equipment installation. REA is now readying a plan to help the co-ops find at least a partial solution to the problem of where to find enough electricians, plumbers and appliance dealers and service people to meet the urgent needs of their members.

We are off to a flying start, and we are rapidly gaining increased momentum. We have a big job ahead of us, but we have the active help and sincere good wishes of a lot of solid Americans.

POWER COMPANY RAIDS ON MINNESOTA CO-OP

The Red River Valley Cooperative Power Assn. of Halstad, Minnesota, reports efforts by the local power companies to take away the signed members. Its newsletter urges the members to stick with their neighbors, as follows:

"Our attention has been drawn to the fact that some utilities in our territory are putting on a little program of signing up some of the farms that are already signed up with us. Restrictions have been eased to the extent that we expect to build lines just as fast as manpower and material situations will allow. Since you have waited this long, please be patient and bear with us for a little while longer and we will bring you electric service as we originally had set out to do.

"The lines of some of these utilities have been near your place for a good many years, and no effort has been made to give you service at reasonable rates; and now, various companies are taking the nearest farms, the better users, and giving them service. In other words, they are picking off the cream of the crop, letting the rest of the farms set. This method means that the rest of the farmers in that particular territory are going to be out of luck unless they pay through the nose. You can readily see that this is a selfish policy, and gives no consideration to your neighbor, who needs electricity just as badly as you do. Stick together, and if in any doubt consult this office as to the plans and approximate time that we will get to you. And, if there are any neighbors of yours who have not signed up with us, let's get the applications in so that we can map out the territory, and bring you electric service as soon as possible. Do not be mislead by some high-pressured salesmanship."

MISSISSIPPI PREEMPTION LAW TEST DUE

A hot legal fight is brewing in Mississippi. The utilities evidently have decided to test the constitutionality of the so-called "preempting statute" which permits a borrower to reserve a territory for itself by filing the necessary maps and affidavits and giving notice to the utility. A Mississippi co-op preempted an area some time ago, abiding by all the legal regulations, but was kept from building lines by WPB regulations which existed at that time. When the private utility began staking a line in the same area, co-op crews moved in immediately and began digging holes and setting poles. Utility representatives indicated that they plan to use their line, which happens to parallel the co-op's proposed construction, to serve persons on the other side of the territory. They say they are merely "passing through."

The Lincoln Electric Cooperative of Davenport, Washington, is the latest co-op to report patrolling its line by airplane. Commenting on the innovation, the co-op said:

"Beyond a doubt this is a very quick and efficient way to check those lines running through canyons and other places where it is ordinarily necessary to patrol on foot.

FARMERS WANT CONSTRUCTION

A power company spokesman writing an article in the magazine "Electrical South" gave a fine picture of what co-ops are up against, not only in the area of his company, Mississippi Power & Light, but in other areas as well. The article, an excellent one, says: "Our rural policy, we believe, is most liberal. Stated simply, we will construct a mile of single phase line and hang a transformer up to 5 kva for a monthly minimum of \$4.50. This policy has been in effect several months and all minimums on our former policy have been reduced to this level. All advances in aid of construction on single phase rural extensions formerly built, have been refunded to the customers in a lump sum. Most of our lines average from three to five customers per mile and since our rate schedule specifies a monthly minimum of \$1.50 the matter of administering such a liberal Rural Policy is extremely simple."

Later on, after discussing the preemption law and describing a local organization procedure which must have been copied from A&L, the author says:

"We have had many interesting experiences in dealing with remote areas, especially when the areas had been expecting service for many years either from our company or from a competitor. We have found that the farmers are so anxious to get the service and are so willing to cooperate with us that the mere sight of a construction truck or crew builds up such a degree of enthusiasm that competition is often eliminated. Probably this all stems from the natural human desire to be on the winning team or on the bandwagon. At any rate, we find that the mere securing of contracts to prevent preemption will only hold the territory for a certain length of time as it is actual construction that the customers want and they will go to practically any extent to get the service.